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C O N F I D E N T I A L RIGA 000391

SIPDIS

E.O. 12958: DECL: 07/02/2013
TAGS: [MARR](#) [MOPS](#) [PGOV](#) [PREL](#) [NATO](#) [LG](#)
SUBJECT: LATVIA WAVERING ON STRATEGIC AIR CONSORTIUM;
REQUEST FOR GUIDANCE

REF: SELDOWITZ/OLSON TELCON

Classified By: DCM Stuart Seldowitz. Reason: 1.4 (d)

[1](#)1. (U) This is an action request. Please see para 3.

[1](#)2. (C) Latvia is in the midst of making decisions on cuts for its 2008 budget (which covers the calendar year). As growth has plummeted from nearly 10 percent to 3.5, expected revenues have fallen significantly and the government is seeking to cut 200 million lats (about 445 million USD) from the budget (a 3.75 percent cut in planned expenditures) in hopes of retaining a small surplus as the IMF and credit rating agencies are urging. In that context, we understand from senior officials in the MOD that Latvian participation in the Strategic Air Consortium (SAC) for NATO to buy C-17 aircraft is an obvious target for reduction. The cabinet could discuss the issue as soon as July 8, with the final amendments to the budget adopted by parliament likely on July [1](#)7. The increasingly gloomy economic situation and the need to find further cuts in an already tight budget, mixed with what the Latvians perceive to be significant growths in the cost of the SAC project have led us to this point.

[1](#)3. (U) Action request: We understand that Latvia's involvement in the SAC may be crucial to its viability, but we also see the very real budgetary constraints in which Latvia finds itself and we have heard numerous complaints about the growth in costs. If Washington agencies believe that Latvia's continued participation in the SAC is vital and want us to raise this at the highest levels of the government (the only place we could hope to have an impact) then we request front channel guidance and talking points soonest, but no later than Riga OOB, Monday, July 7.
LARSON